

VZCZCXRO6992
PP RUEHDBU
DE RUEHEK #1489/01 2960837
ZNY CCCCC ZZH
P 230837Z OCT 06
FM AMEMBASSY BISHKEK
TO RUEHC/SECSTATE WASHDC PRIORITY 8368
INFO RUCNCIS/CIS COLLECTIVE PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1750
RUEHDBU/AMEMBASSY DUSHANBE PRIORITY 1264
RUEKJCS/OSD WASHDC PRIORITY
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RUEHVEN/USMISSION USOSCE PRIORITY 2160
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1547
RUEHNO/USMISSION USNATO BRUSSELS BE PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 001489

SIPDIS

SIPDIS

DEPT FOR SCA/CEN

E.O. 12958: DECL: 10/23/2016

TAGS: [PGOV](#) [PINR](#) [PREL](#) [KG](#)

SUBJECT: DAS FEIGENBAUM DISCUSSES ENERGY PRIVATIZATION AND
CONSTITUTIONAL REFORM WITH KYRGYZ PARLIAMENT SPEAKER
SULTANOV

BISHKEK 00001489 001.2 OF 002

Classified By: AMBASSADOR MARIE L. YOVANOVITCH, REASONS 1.4 (B) AND (D)

¶1. (C) SUMMARY: Having just returned from meetings with the Venice Commission on constitutional reform, Speaker of Parliament Marat Sultanov was eager to meet with SCA DAS Evan Feigenbaum to discuss U.S.-Kyrgyz relations, the energy sector, and draft constitutions. The candid discussions revealed that, while Parliament may support the privatization of the energy sector, members have a long list of concerns and will demand answers and transparency before backing the move. Sultanov also said that the sheer number of draft constitutions that have surfaced since the 2005 "revolution" have bogged down the reform process. Sultanov also said he was planning a visit to the U.S. in February. END SUMMARY.

¶2. (C) Admitting that Kyrgyzstan's relationship with the U.S. was put to the test over the summer, Speaker Sultanov agreed with DAS Feigenbaum that the two nations must revert back to the solid relationship experienced before the PNGs and other difficulties. Feigenbaum conveyed the USG's commitment to Kyrgyzstan and the country's progress in reforming the energy sector, improving trade relations, and the upcoming decision on Kyrgyzstan's Millennium Challenge Account Threshold Country Plan. Feigenbaum reiterated that Kyrgyzstan is not an object of struggle between the U.S. and Russia or China. Rather, U.S. policy focuses on Central Asian nations themselves as sovereign, independent states.

CAUTIOUS STEPS TOWARD PRIVATIZATION OF ENERGY SECTOR

¶3. (C) Feigenbaum noted U.S. power company AES's interest in Kyrgyzstan and asked about prospects for privatizing the energy sector. Sultanov expressed Parliament's demand for transparency throughout any privatization process and listed a number of concerns that have yet to be addressed by the Kyrgyz government. Sultanov and Parliament want to know if tariffs will be affordable for pensioners and the poor,

asserting that "doubling the prices" is not an option. He stated the government could increase pensions as a way to compensate the underprivileged, but no such plan has been proposed.

14. (C) Sultanov also listed certain stipulations for selecting the right company to invest in Kyrgyzstan's energy industry. He demanded that his government set minimum requirements for firms wishing to participate in the bidding process. This, he felt, would help to avoid fly-by-night companies with no previous history or experience, little capital and conspicuous offshore accounts. He stated that the investment capabilities of the company and plans for export should also be factors in the selection process. The Speaker said that Kyrgyzstan should "avoid a situation where the energy sector falls into the hands of shady businessmen."

With nearly 40 percent of electricity "lost" in the transmission of power, a bidder's plans for renovations to the distribution system should also be considered. Feigenbaum stressed that U.S. investors have already spent over USD 800,000 on feasibility studies in the region to address these types of concerns.

15. (C) Speaker Sultanov claimed that the bidding process should be impartial and transparent, disregarding political, cultural or regional ties as relevant factors. Profitability, he stressed, was most important. He expressed his strong belief that Kyrgyzstan needs a business environment open to companies like AES. He admitted that it is too early to discuss privatization because the Kyrgyz government is not ready and has many questions to answer. He stated that the President and Prime Minister met with several international investors on the issue. Sultanov said he had refused to meet with the same business representatives, reasoning that the Kyrgyz government is not yet prepared to

BISHKEK 00001489 002.2 OF 002

handle the privatization process and therefore, should not feel the need to meet with investors.

MORE THAN ENOUGH DRAFTS

16. (C) When asked about the plethora of constitutional drafts, the Speaker joked that every week someone else wants to submit their version of the constitution. Sultanov himself claimed to have over 150 proposals for reforms but has not submitted an actual draft. Should this continue, he said, reforms will never be completed. Sultanov stated his belief that the Parliament's draft from June 2005, supported by OSCE and UNDP, should be used as the basis for the constitution. He acknowledged that versions submitted by the President have formidable chapters on human rights and judicial reforms that should be used in the final draft. Sultanov affirmed that the opposition and the President must make steps toward a legitimate compromise beneficial to the nation.

TRIP TO THE U.S.

17. (C) The Speaker mentioned plans for a trip to the U.S. in February 2007, when Parliament will be on winter recess. According to his staff, Sultanov has accepted an invitation from Utah State Senate President John Valentine to visit Salt Lake City. (Note: Former Kyrgyz Ambassador to the U.S. Baktybek Abdrisayev currently teaches at Utah Valley State College and may have played a role in arranging the invitation. End Note.) Sultanov also plans to travel to Washington to attend the National Prayer Breakfast. The Speaker's assistant expressed interest in arranging meetings in Washington as well. The Speaker plans to be accompanied by three deputies, his advisor and two additional staff members.

COMMENT

18. (C) A levelheaded thinker who seems determined to properly represent the Kyrgyz people, Sultanov seemed to view compromise and cooperation as key elements to the development of a sound government. Sultanov sees the importance of privatizing the energy sector but does not want to back the process if the proper regulations, guidelines and preparations, ensuring improved conditions for the population, are not in place. Neither anti-Bakiyev nor pro-opposition, Sultanov has hewed a relatively moderate path since he became speaker and often plays a mediating role. We see this trip to the U.S. as an opportunity to introduce the Speaker to counterparts in the Congress and key individuals in Washington. END COMMENT.

YOVANOVITCH